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The Cafta Challenge: Bush Must Stand Up to Domestic Lobbies

It is a measure of the importance of Washington's proposed Central American free trade deal that George W. Bush, US president, met yesterday with the leaders of all six countries involved. While bilateral agreements such as Cafta are generally not a good way to liberalise trade, Mr Bush should do all he can to make this one happen.

Not only is it - on balance - positive for the countries involved. Its approval by a US Congress in danger of succumbing to the lure of protectionism is essential if the administration is to regain the initiative in its relations with Latin America, as well as on the broader front of free trade.

During his first term, trade was one of the few areas where Mr Bush was able to make progress with his southern neighbours. Two years ago a deal was agreed with a South American country - Chile - for the first time, and three others are well advanced. Of these Cafta, which opens up trade with the Dominican Republic as well as the five poor Central American countries, has been agreed at government level but not yet approved by US legislators.

For the countries involved a deal is vital for one main reason. In the last 20 years or so all have built up big, labour-intensive and strategically important textile export industries under the shelter of temporary trade concessions put in place at the height of the region's civil wars of the 1980s.

Cafta proposes to make these concessions permanent, a move that will reduce uncertainty and should be good for investment prospects and long-term growth. True, the accord will be painful for farmers and other vulnerable sectors that will eventually be exposed to more efficient US rivals. But this defect is more than offset by the jobs at stake: more than 400,000 people in Central America alone work in textiles. Without a deal it is too difficult to see how many businesses can survive in the face of Chinese competition.

The consequences of failure would be serious in other ways too. Since the political settlement of the early 1990s, Central Americans have generally elected business-minded centre-right governments. In a hemisphere where anti-Americanism has become the norm, Central American governments have been among Mr Bush's most loyal allies. While even pro-US countries such as Mexico or Chile opposed the war in Iraq, tiny Honduras, Nicaragua, El Salvador and the Dominican Republic took the risk of sending troops.

In these circumstances, if Mr Bush fails to win congressional support he will let down his closest friends and send a bleak message to pro-US politicians further south.

Defeat on Cafta would also sound the death knell for more ambitious liberalisation such as the continent-embracing Free Trade Area of the Americas. And if the administration is unable to defeat domestic lobbies on Cafta when so little is being sacrificed, what chance will it have of offering concessions to more powerful Brazilian or Argentine farmers later on?